

Module 13: Electronic Tax Return Preparation and Transmission

Tax Tutorial

In this tax tutorial, you will learn about electronic preparation and transmission of tax returns.

Preparation means the completion of all the forms and schedules needed to compute and report the tax.

Returns can be prepared manually or electronically.

Tax transmission means sending the tax return to the taxing authority.

Returns can be transmitted by mail or electronically.

Electronic options include

- Computer— Online, self-prepared
- Computer—[Authorized IRS e-file Provider/Tax Professional](#)

There are numerous benefits to the electronic preparation and transmission of tax returns.

next 

Module 13: Electronic Tax Return Preparation and Transmission

Preparation of a Tax Return

Complete all of the forms and schedules needed to compute and report the tax.

Preparation can be

- Manual, using paper and pencil, or
- Electronic.

Benefits of Electronic Preparation

[Increased accuracy](#)

[Ease of use](#)

[Ability to prepare federal and state returns at the same time](#)

◀ previous

next ▶

Module 13: Electronic Tax Return Preparation and Transmission

Transmission of a Tax Return

Send the tax return to the taxing authority.

Transmission can be either:

- through the mail.
- through electronic filing (e-file) options:
 - a. Online, self-prepared; or
 - b. Authorized IRS e-file Provider/Tax Professional.

Benefits of Electronic Transmission

[Accuracy](#)

[Secure](#)

[Paperless with the self-select PIN option](#)

[Electronic acknowledgment](#)

[Direct deposit for faster refunds](#)

[Free/low-cost filing](#)

[Electronic funds withdrawal for payments](#)

[Able to transmit federal and state taxes at same time](#)

 previous

next 

Module 13: Electronic Tax Return Preparation and Transmission

Electronic—Online, Self-prepared Option

Use a personal computer to prepare and transmit tax returns.

Expert systems (often called wizards) guide taxpayers through the process.

Requires a computer with a modem and/or Internet access.

- Alternative 1: Prepare return on personal computer, sign return with self-selected PIN, and transmit over the Internet. (Taxpayer purchases software.)
- Alternative 2: Prepare return online, sign return with self-selected PIN, and transmit over the Internet. (Taxpayer does not purchase software.)

A taxpayer prepares and transmits from:

- home
- workplace, an employer-provided benefit
- library, usually free
- financial institution, usually free
- business, usually for a fee

 [previous](#)

[next](#) 

Module 13: Electronic Tax Return Preparation and Transmission

Electronic—Electronic Return Originator Option

Electronic Return Originators (EROs) are authorized to transmit returns to the IRS.

Often EROs also prepare returns.

Many EROs charge a fee.

EROs include some:

- Certified public accountants (CPAs)
- Tax attorneys
- IRS enrolled agents (individuals who are registered with the IRS)
- Tax preparation businesses
- VITA (Volunteer Income Tax Assistance) sites
- Walk-in sites

 previous

next 

Module 13: Electronic Tax Return Preparation and Transmission

Security

Personal Identification Numbers (PINs) ensure that the taxpayer, and not someone else, transmitted each return.

A PIN allows the taxpayer to "sign" the return electronically.

Most taxpayers can qualify to use a PIN by providing their

- date of birth, and
- adjusted gross income from their originally filed prior year tax return (not from an amended return [Form 1040X]).

 previous

next 

Module 13: Electronic Tax Return Preparation and Transmission

Review the IRS Web site [<http://www.irs.gov>] for

- free/low-cost online filing options under IRS e-file partners offering their services to qualified taxpayers.
- software companies in the online e-file program.

◀ previous

next ▶

Module 13: Electronic Tax Return Preparation and Transmission

Quick Check!

Answer the following multiple-choice questions about electronic tax return preparation and transmission by clicking on the correct answers. To assess your answers, click the *Check My Answers* button at the bottom of the page.

- 1) Taxpayers can prepare returns online at
 - A. financial institutions.
 - B. work.
 - C. library.
 - D. All of the above. No answer given: The correct answer is D. The online, self-prepared option can occur at some financial institutions, libraries, and workplaces.
- 2) What information is needed to self-select a personal identification number (PIN)?
 - A. Date the tax return was filed in the prior year
 - B. Taxpayer's date of birth No answer given: The correct answer is B. To self-select a PIN, the taxpayer needs to provide his or her date of birth and adjusted gross income from the prior year tax return. The taxpayer does not need to provide the date the prior year tax return was filed, the wage income from the prior year return, or the tax credits claimed in the prior year return.
 - C. Wage income from the prior year return
 - D. Tax credits claimed in the prior year return
- 3) Which of the following is an example of an Electronic Return Originator (ERO)?
 - A. Certified Network Administrator
 - B. Tax attorney No answer given: The correct answer is B. Certified Network Administrators maintain computer networks. They are not Electronic Return Originators. Nor are human resource specialists or volunteer Meals-on-Wheels Coordinators.
 - C. Human resource specialist
 - D. Volunteer Meals-on-Wheels Coordinator
- 4) Which of the following are benefits of electronic tax return preparation and transmission?
 - A. The reduction of errors

B. Ease of use

C. Security

D. All of the above No answer given: The correct answer is D. Reduction of errors, ease of use, and security are all benefits of electronic tax return preparation and transmission.

◀ previous

next ▶

Module 13: Electronic Tax Return Preparation and Transmission

Lesson Summary

Preparation means completion of the forms and schedules needed to compute and report the tax.

Returns can be prepared manually or electronically.

Transmission means sending the tax return to the IRS.

Returns can be mailed or transmitted electronically.

Electronic options include; Online, Self-prepared; or Electronic Return Originator.

Electronic preparation and transmission of tax returns have numerous benefits.

 [previous](#)

Module 11—Additional Information

Additional Information

Increased accuracy

An important benefit of the electronic preparation of tax returns is the reduction of errors. The error rate in electronically prepared returns is significantly lower than that of manually prepared returns.

Ease of use

Tax preparation software is easy to use. Most tax preparation software uses expert systems, known as wizards, to help with return preparation. The wizard guides the preparer through the steps of completing the tax return.

Ability to prepare federal and state returns at same time

Using tax preparation software, many taxpayers can prepare both the federal and state returns at the same time.

Accuracy

Your chances of getting an error notice are significantly reduced.

Secure

With electronic filing taxpayer privacy and security are ensured.

Paperless with the self-select PIN option

Electronic filing reduces the paper used to file tax returns. It is environmentally friendly. A taxpayer creates his or her own Personal Identification Number (PIN) and files a completely paperless return.

Electronic acknowledgment

Within 48 hours of transmission, the IRS sends an electronic acknowledgment that the return was received and accepted for processing.

Direct deposit for faster refunds

Taxpayers who file electronically receive refunds faster than those who transmit returns through the mail. If the taxpayer chooses the Direct Deposit option, the refund is received in less than half the time of a mailed return.

Free/low-cost filing

Free or low-cost filing options are available to qualified taxpayers. Check out the [IRS Web site](#) at www.irs.gov.

Electronic funds withdrawal for payments

Taxpayers who file electronically can arrange to have the balance due paid by scheduling an electronic funds withdrawal from their checking or savings accounts. A taxpayer with a balance due can file his or her tax return early and arrange to have the funds paid later (up to ten days before the due date of the tax return) or pay by credit card.

Able to transmit federal and state taxes at same time

Prepare and file both federal and state returns together, and double the benefits you get from e-file. Thirty-six states and the District of Columbia participate in the Federal/State e-file Program.

 [previous](#)

Module 11—Glossary

Glossary

Authorized IRS e-file Provider —a business authorized by the IRS to participate in the IRS e-file Program. The business may be a sole proprietorship, a partnership, a corporation, or an organization. Authorized IRS e-file Providers include Electronic Return Originators (EROs), Transmitters, Intermediate Service Providers, and Software Developers. These categories are not mutually exclusive. For example, an ERO can at the same time, be a Transmitter, a Software Developer, or an Intermediate Service Provider, depending on the function being performed.

 [previous](#)
